

# Memorandum

Date: November 14, 2022  
To: Margaret Kavanaugh-Lynch, City of Vallejo  
From: Julie Morgan and Ellen Poling, Fehr & Peers  
Subject: **Implementation Plan and Program Update Methods for Vallejo In-Lieu Fee for VMT Reduction**

OK21-0422

The City of Vallejo is considering establishing an in-lieu fee program for the purpose of funding city infrastructure projects that will reduce the growth of VMT and contribute to safety and multimodal accessibility. The proposed fee program structure is documented in the report "Vallejo In-Lieu Fee for VMT Reduction," prepared by Fehr & Peers for the City of Vallejo in October 2022 (referred to in this memo as the Fee Report). The City will go through a deliberative process to determine whether to adopt an in-lieu fee for VMT reduction. If the City elects to adopt such a fee program, this memo outlines the steps that could be taken to implement and maintain that program.

## Fee Program Implementation

Once the City adopts the fee program through City Council action, there are a series of administrative steps that would be taken to implement the program. These steps would involve:

- Developing a set of administrative guidelines that define how the fee will be applied. The City may already have administrative guidelines that apply to other fees collected by the City and that would apply generally to the VMT fee as well. Related to the VMT fee specifically, examples of topics that should be addressed include but are not limited to:
  - Definition of the characteristics of a development project that would lead to a determination that the VMT fee applies to that project, and definition of any situations that would be exempt from the VMT fee.
  - Description of how the VMT fee is to be calculated.
  - Examples of how the VMT fee would be applied to a few hypothetical projects.
  - Definition of procedures for appealing the VMT fee calculations and how the City would handle an appeal.
- Establishing a separate fund for the collection and expenditure of VMT fees and applying typical accounting procedures to that fund.



- Incorporating the VMT fee into the City's master fee schedule.
- Training City planning staff on how to apply the VMT fee to development project applications.
- Conducting outreach to development companies with active projects in the City to explain the VMT fee and how it applies.
- Establishing methods for prioritizing the capital improvement projects eligible for funding through the fee program, to guide the expenditure of fee revenues.
- Establishing a procedure for regular reporting of the VMT fee revenues and expenditures.

## Fee Program Updates

Any fee program should be periodically updated to ensure that it reflects the most recent available information. It is typically considered good practice to update a fee program approximately every five to seven years, depending on the level of change that may occur for the key program elements. City staff can qualitatively review the program elements listed below and determine whether conditions have changed enough to warrant a more comprehensive and quantitative update. If a comprehensive update is determined to be needed, that could be completed by City staff or through an outside consultant.

Elements of the Vallejo VMT fee program that might change over time and that should be periodically reviewed and updated include:

- the list of capital improvement projects that would be eligible for funding through the fee,
- the calculation of VMT reductions associated with the capital improvements, and
- the projections of future residential and non-residential development in the City.

## Capital Improvement Program

The list of capital improvement projects eligible for funding through the fee program should be periodically reviewed and updated. Project definitions may evolve over time as the City completes planning and design work on each project, and the estimated cost for each project may also change.

## VMT Reduction Estimates

Estimates of the VMT reduction that could be attributable to each capital improvement project are included in the Fee Report. When the capital improvement program is periodically reviewed, these estimates should also be reviewed and updated to reflect the current definition of each project, and to incorporate new evidence about the VMT reduction effects of each project to the extent new information becomes available.



### **Development Projections**

The fee program has been structured to reflect a planning period of 15 years, and the fee calculations are based on projections about the amount of residential and non-residential development that is reasonably foreseeable over that timeframe. Those development projections should be periodically reviewed by City staff to ensure that the projections continue to be reasonable and in alignment with local plans.